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ABSTRACT

The Family Support Act of 1988 and the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 provided the basis for a comprehensive reform of welfare programs. This document provides examples of how five states have chosen to implement new provisions in their welfare programs to aid families in achieving greater economic security. The Illinois Work Pays and Minnesota's Family Investment Plan are included as examples of programs promoting financial asset development. Oregon's JOBS Plus and Vermont's Welfare Restructuring Project are examples of programs promoting human capital asset development. Also, Utah's Single Parent Employment Program is an example of a program helping to overcome obstacles to asset development. These programs share an emphasis on creating positive incentives and opportunities with few provisions for negative sanctions, such as time limits, family caps, and punitive reductions of cash assistance grants. Following an explanation of welfare-related terms and sources for further information in each of the five states, the following information is contained in descriptions of each state program: (1) major provisions in the program; (2) implementation information; (3) program outcomes to date; and (4) additional factors to be considered. The report concludes by noting that the case examples will be useful to other states in securing true welfare reforms. (KB)

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Center on Hunger, Poverty and Nutrition Policy

ED 433 140

FIVE STATES' INNOVATIVE APPROACHES TO WELFARE

PROMOTING ECONOMIC SECURITY AMONG AMERICA'S POOR

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Introduction

Background

In 1988, the first comprehensive reform of national welfare legislation since the 1960's occurred with the passage of the Family Support Act (FSA).[1] Now, in 1996, even greater changes to the nation's welfare system are occurring with the passage of the Personal Responsibility and Work Opportunity Reconciliation Act or "welfare bill". Prior to this recent Congressional action, however, 45 states had already significantly revised the provisions of their welfare programs on a demonstration or statewide basis. Some of these changes were adjustments to comply with the Family Support Act; some required special acts of Congress; and others required waiver approval by the federal Department of Health and Human Services (DHHS).[2]

This document provides examples of how five states have chosen to implement new provisions in their welfare programs to aid families in achieving greater economic security. Illinois' *Work Pays*, Minnesota's *Family Investment Plan*, Oregon's *JOBS Plus*, Utah's *Single Parent Employment Program*, and Vermont's *Welfare Restructuring Project* are examples of

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[1] The Family Support Act of 1988 (FSA) significantly changed the education and training requirements of the Aid to Families of Dependent Children (AFDC) program, revised the treatment of earned income, replaced the earlier Work Incentives demonstration programs with the Job Opportunities and Basic Skills (JOBS) training program, and established transitional child care and Medicaid benefits for recipients moving off AFDC due to increased earnings, hours of work, or loss of income disregards. The FSA required all able-bodied AFDC recipients without children under age three to participate in education, job search, or job training.

[2] A previous report by this Center, **Economic Security Among America's Poor: The Impact of State Welfare Waivers on Asset Accumulation**, identified potentially positive measures state have enacted through federal waiver requests.

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different approaches to state welfare reform which share an emphasis on creating positive incentives and opportunities with few provisions for negative sanctions, such as time-limits, family caps, and punitive reductions of cash assistance grants.

The states highlighted in this document generally have tried to make an investment in recipient families. They are using their welfare programs to enable families to achieve greater economic security by increasing their incomes, promoting accumulation of assets, and developing their skills (human capital). These welfare programs provide transitional child care and Medicaid from 12 to 36 months after a family's cash assistance grant ends (because earned income reaches its maximum level.) Such investments are costly but increase the economic stability of families while realizing long-term savings as families are able to permanently leave the welfare system.

Planning for Welfare Program Reform

Under the new federal welfare legislation, states no longer will need waivers to implement changes in their welfare programs, but will face some obstacles in reaching the proclaimed objective of moving families from welfare to work. Barriers imposed by the legislation which may impede successful implementation include: lack of sufficient funding for support services, especially child care; time-limits prematurely ending even partial cash assistance; and unrealistic work requirements for parents of very young children. If these barriers are not addressed by the states, children and families almost certainly will be harmed rather than helped.

Successful implementation of state welfare programs, such as those summarized in this document, will require an additional investment in the state's administrative capacity. States may need to hire additional personnel and retrain existing staff. Case workers who previously focused on determining eligibility now may be required to explain the components of a new program; convey the program's objective of assisting recipients to move into employment; discuss the family's own obligations and options; develop a self-sufficiency plan with the family; and link the family with services in the community. Monitoring compliance with progressively demanding work requirements and correlating support services may also require an additional investment in electronic technology.

Although not included in the summaries of the programs highlighted in this document, some states have sought to implement specific provisions which apply only to a sub-set of welfare recipients. For example, many states have requirements that apply only to minor parents receiving cash assistance. The new federal welfare legislation includes some of the same requirements as those implemented through the waiver process. Over the last few years, many states also have requested approval to amend complicated AFDC rules which made it difficult for unemployed married, two-parent families to receive cash assistance. Provisions which enhance, rather than impede, the long-term economic stability of these sub-groups should be considered in designing new welfare programs.

Ultimately, the success of any welfare reform provisions aimed at improving the economic security of families and reducing the welfare case load through work is contingent upon outside factors, such as availability of jobs, adequate transportation, and reliable child care. Neither positive incentives nor negative sanctions will enable a welfare parent to get a job if there are few employers in the area and limited jobs to match the skills of unemployed workers. In some regions where incomes and cash assistance benefits are low, many families receiving cash assistance do not own a vehicle. Although changes in asset rules can make it possible for a family to own a vehicle and still be eligible for welfare, without sufficient income they cannot maintain a car and without a car they may not be able to get to work. In other areas, a shortage of reliable child care providers may hinder a parent's ability to obtain employment or maintain it when complications arise.

Considerations for the Future

As states attempt to revise their welfare programs, the long-term outcomes for recipient families will not be known for many years, but the federal waiver process required rigorous evaluations with independent evaluators. Each state's evaluation plan tracks families' economic status, but the plans differ greatly in the degree to which they include direct measures of family and child well-being.[3]

Now, under the new federal welfare legislation, states which were granted waivers are encouraged, but no longer required, to continue the evaluation component. There is no additional requirement for comprehensive evaluations of the new state welfare programs. The impact of any major program revision merits study to inform future reform efforts. Not only is there a necessity to study the impact of welfare reform on the economic status and well-being of those receiving cash assistance but also that of other low-income wage earners.

Meanwhile, we believe that the case examples from the five states highlighted in this document will be useful as you work within your own state to secure true welfare reforms - those which promote greater economic security among the poor.

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[3] A. Collins and J.L. Aber. 1996. **State Welfare Waiver Evaluations: Will They Increase Our Understanding of the Impact of Welfare Reform on Children?** National Center for Children in Poverty, New York, NY p.10.

Explanation of Welfare-Related Terms

Transitional and Support Services: Under the Family Support Act, states were required to provide child care for AFDC recipients if it is needed for them to work or attend approved educational or training activities, including JOBS program activities. States must also guarantee child care and Medicaid benefits under certain circumstances, in cases where the recipient has lost AFDC benefits as a result of increased work time, increased income resulting from employment, or loss of income disregards. Such transitional child care and Medicaid is limited by federal law to twelve months after the last month in which AFDC benefits were received. States must also provide payment or reimbursement for necessary transportation and other work-related expenses, including supportive services. States have requested waivers to extend the time period during which transitional or supportive services are provided. Waivers have also been requested to extend transitional provision of job counseling and other employment-related services.

Asset Allowance: The asset limit for AFDC eligibility has been $1000 and the first $1500 equity in a vehicle has been excluded. Many states have asked to raise the overall asset limit and/or to increase the amount of excluded equity in a vehicle(s). Other states have sought special treatment of assets under certain circumstances (e.g., self-employment.)

Grant Diversion: Grant diversion involves redirecting funds provided for a particular kind of assistance (e.g., Food Stamp Program benefits) for use in a different way. States have requested waivers to enable them to divert both AFDC and Food Stamp benefits into payment or supplementation of wages (generally referred to as Subsidized Employment) and for lump-sum payments in lieu of regular AFDC benefits (referred to as AFDC Diversion.)

Individual Development and Family Investment Accounts: States have sought waivers to allow or require recipients to establish special accounts to save money for education, job training, or other investments in economic self-sufficiency. The intent of the account is to help or encourage the recipient to move out of dependence on welfare and into employment and self-sufficiency.

Self-sufficiency Contracts and Employment Development Plans: These contracts or plans, negotiated by AFDC recipients and state welfare agency representatives, are intended to create incentives for AFDC recipients to obtain employment and become economically self-sufficient. They can include a variety of supportive and transitional services, and often involve time limits and sanctions (including termination of benefits) for failure to comply.

Time-Limits: States have requested waivers to imposed time-limits in several ways. In some states, all non-exempted adults are required to participate in work activities after a specified time and cash assistance will only continue as long as work requirements are met. There may be intermediate stages where cash assistance is reduced for non-compliance before total termination. Some programs limit the receipt of cash assistance to a maximum number of months within a specified period of time (e.g., not more than 24 months in a five year period.) A few states have time-limits for cash assistance for specific populations or adult recipients only.

Family Cap/Child Exclusion: Under this provision, states are allowed to deny additional benefits for children conceived while the family is receiving AFDC; the new born child is excluded for the duration of the grant period.

Sources for Further Information

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* Further information on welfare reform experimentation in Minnesota, Utah, and Vermont (also Iowa and New York) can be found in **Family Matters**: Vol. 8, Nos. 1 & 2, published by the Center for Law and Social Policy, 1616 P Street, NW, Suite 150, Washington, DC 20036 Ph.# 202-328-5140

PROMOTING FINANCIAL ASSET DEVELOPMENT

The Illinois and Minnesota Examples

The Premise

When possible, parents should work and work should make families better off.

The Rationale

Policy changes to state welfare programs, through waivers granted by the federal Department of Health and Human Services, can provide the poor with increased opportunities for financial asset accumulation and economic security. Several states have increased the amount of earned income that is allowed when determining welfare eligibility and benefit levels, thus effectively increasing the amount of disposable income available to recipients, some of which may be saved or invested. This disposable income provides a form of insurance against uncertainty, an ability to improve one's employability (e.g., vehicle, clothing, and child care), and a means of saving for future expenses (e.g., college education).

States that have taken this approach have provided financial incentives and supports to enable welfare recipients to take jobs to raise their family's standard of living. The state policies attempt to reduce dependency on welfare by making it more beneficial to be employed than to rely on cash assistance. The dual intent is to encourage work and to provide more family income. In some states, through a combination of their own earnings and cash assistance, families are lifted above the poverty level before direct welfare assistance is totally discontinued. Employment is further made profitable by covering related expenses such as child care costs while the families are still eligible for some cash assistance and for at least 12 months thereafter on a sliding fee scale. Under certain circumstances, Medicaid benefits are also provided for 12 months or more after other financial benefits terminate due to full employment.

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Illinois Work Pays

Major Provisions:

- **Treatment of Earnings** - Only one third of a welfare recipient's earned income is deducted from the AFDC payment, until the level of outside income exceeds the official poverty level for the family size. Thus, for every $3 dollars earned, cash assistance is reduced by only $1. This "earnings disregard" does not apply to families with earnings who are newly applying for AFDC. New applicants are not eligible for AFDC if their earnings, minus $90 allowed for employment expenses, exceed the AFDC payment level for their family size. (This provision was included to avoid attracting the already-working poor to welfare.)

- **Direct Child Care Payment** - The state pays providers directly for child care of AFDC working recipients rather than the parents paying child care expenses out-of-pocket and then having their earned income reduced by that amount.

- **Extended Child Care and Medicaid Benefits** - As provided for under current federal law, the recipient is eligible for child care and Medicaid benefits for up to 12 month after AFDC cash assistance has been terminated due to earnings over the poverty level.

Implementation: *Work Pays* was implemented in November 1993 statewide with the exception of two sites were applicants were randomly assigned to control groups. (Additional welfare program provisions, not included in this summary, were implemented in November 1995.)

Outcomes to Date (as reported by the Illinois Department of Public Aid):

- Percentage of AFDC recipients reporting earnings has tripled in the two and one-half years the program has been in effect.

- During the two year period from November 1993 to December 1995, 52,000 clients have left welfare because of employment; 27,000 in 1995 alone.

- Due to increased earnings, the average amount of AFDC grants is down for 750,000 recipients resulting in costs reduction of almost $10 million in 1995. Despite this reduction, current savings are offset by increased child care expenditures.

Additional Factors to be Considered:

- A program which combines earnings and cash assistance to bring families above the poverty level is particularly significant in Illinois where AFDC grants are $377/month for a single parent family of three.

- Increased earnings of AFDC recipients and former recipients through employment is aided by the fact that the unemployment rate in Illinois is at a 20 year low. A study by the Job Gap Project raises the question of whether this trend can continue as more new AFDC recipients seek jobs. The Project's findings conclude that there are four workers in need of entry-level jobs for every such job opening in the state.

Minnesota Family Investment Plan (MFIP)

Major Provisions:

- **Treatment of Earnings** - When determining the amount of cash assistance a family will receive, 38% of gross earned income is disregarded to cover taxes and other work-related expenses and to reward the earning of income. Non-disregarded earnings (the remaining 62%) are subtracted from an amount equal to 120% of AFDC plus the full cash value of Food Stamps to determine the amount of the cash assistance grant. Cash assistance is not discontinued entirely until a family's income exceeds 145% of the federal poverty level.

- **Extended Child Care and Medicaid Benefits** - If child care is needed, costs are covered for those employed or engaged in employability plan activities. When the family has moved off of cash assistance, child care costs continue to be covered on a co-payment basis for 12 months as provided for in the Family Support Act of 1988. If necessary, Medicaid coverage will be extended for this 12 month period and families will be eligible for MinnesotaCare (subsidized health insurance) for as long as their income remains below 275% of the federal poverty guidelines.

- **Asset Allowance** - When determining a family's resources, items excluded include the family's home; motor vehicle(s) to a total equity value of $4,500 or the entire value of vehicles determined necessary for the operation of a self-employment business; personal property needed to produce earned income; and items essential for daily living. The limit for non-excluded assets is $2,000.

- **Consolidation of Cash Assistance** - AFDC, Food Stamps, and general assistance are combined into a single cash assistance program. However, families can elect not to have their Food Stamps cashed out.

- **Case Management Services** - For single parent families, the parental caregiver independently pursues self-sufficiency until the family has received cash assistance for 24 months within the proceeding 36 months. For a family with two adult parental caregivers, the expectation is that at least one parent will independently pursue self-sufficiency until the family has received cash assistance for six months of the proceeding 12 months. After this period, if the family is still in need of assistance and no exemptions apply, the caregiver must develop an employability plan with the case manager which identifies employment goals, training activities, or education up to or through a baccalaureate degree. If, after three months of search, the parental caregiver does not find a job that is consistent with his/her employment goal, the parent must accept any suitable employment. If the caregiver does not comply with the agreement without "good cause", the cash assistance will be reduced by 10%.

Implementation: MFIP began in April 1994 as a seven county pilot representing a mix of urban, suburban and rural areas. Current and new AFDC recipients are randomly assigned to MFIP or the existing program.

Outcomes to Date (as reported by MDRC's six month impact analysis[1]):

- Twice as many single parents who were current recipients of cash assistance reported employment after six months in MFIP as compared to the control group continuing to receive regular AFDC grants.
- Six months after entering the new program, current single-parent recipients in the MFIP group were substantially more likely than recipients in the AFDC groups to be either not on welfare or combining welfare with some reported earnings.
- After six months single parents newly applying for cash assistance through MFIP reported being employed two and one-half times more frequently than the similar AFDC control group assignees.
- The difference in reported employment between the AFDC and MFIP two-parent families was not as great. This is consistent with the expectation that many two-parent families use welfare as short-term assistance while one or both parents are temporarily unemployed and re-enter the job market when new employment is found.

Additional Factors to be Considered:

- In the short run, MFIP is expected to increase the percentage of families receiving welfare and the percentage combining welfare with work due to disregarded earnings and assets increasing the duration of eligibility. In the long term, MFIP's work incentives and requirements are expected to reduce overall welfare rolls.
- The standard combined value of the AFDC grant and Food Stamps ($800/month for a single parent family of three) put families nearer the poverty level, even without any disregarded earnings, than many other states.
- In 1988, the Minnesota state legislature authorized the Commissioner of Human Services to seek authority from Congress to implement the Minnesota Family Investment Plan on a demonstration basis. In 1992 Congress passed an act authorizing field trials to begin April 1, 1994. Thus, this program was implemented through Congressional authorization rather than through federal waivers from the Department of Health and Human Services.

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[1] V. W. Knox, A. Brown, and W. Lin. 1995. **MFIP: An Early Report on Minnesota's Approach to Welfare Reform**. Manpower Demonstration Research Corporation, New York, NY.

PROMOTING HUMAN CAPITAL ASSET DEVELOPMENT

The Oregon and Vermont Examples

The Premise

Unemployed and underemployed parents benefit from programs which provide on-the-job training and enhance their skills (human assets.)

The Rationale

A number of states are implementing welfare program experiments through waiver provisions granted by the federal Department of Health and Human Services aimed at increasing economic security by enhancing human assets. While financial assets can provide monetary insurance that can help a family overcome major and minor set backs, increasing human capability is another a form of insurance for a better future. Human assets include the many types of skills, knowledge, and abilities acquired through education, training and work experience.

States that have taken this approach may create work opportunities that might not otherwise be available, so welfare recipients can benefit from on-the-job training experience and begin an employment history where none may have existed. The federal Family Support Act of 1988 created the Job Opportunity and Basic Skills (JOBS) program to "assure that needy families with children obtain the education, training and employment that will help them avoid long-term dependence." Many states are making the primary focus of their JOBS program intensive job search activities and work experience programs to increase the future employability of the never-employed, the currently unemployed, and the underemployed. Waivers have been granted for work supplementation programs that use the cash assistance that ordinarily would have been paid to an AFDC recipient to develop jobs in the public and private sector. Other barriers to employment are also addressed. To further increase the development of human capital assets, some states provide for or encourage the establishment of special savings accounts to be used for further education and training.

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Oregon JOBS Plus

Major Provisions:

- **Subsidized Employment** - Eligible participants are employed at a public or private job site for the fair market wage and subsidized by the state, but no less than the state minimum wage of $4.75 per hour, in lieu of receiving AFDC and food stamps. If the employee's net full time monthly wages (minus $90 per month work expense deduction) are less than what the family would have received in cash assistance, the difference is made up through a supplemental benefit. Recipients of unemployment benefits are also eligible for the program.

- **Supporting Benefits** - If previously determined eligible, Medicaid benefits continue. Otherwise the employee receives the same health benefits as other temporary employees. (Oregon Health Plan ensures coverage to everyone below the poverty level; 200% of the poverty level for children.) Social security, unemployment and workers' compensation taxes are covered with the employer portion reimbursed by the state (along with earnings paid up to minimum wage.) If necessary, the state covers the cost of child care and addresses other barriers to employment.

- **Individual Education Account** - The employer contributes $1 per hour worked by the employee into an Individual Education Account that the employee can use for educational programs at community and state colleges. The employee becomes eligible to expend these funds after 30 days of full employment.

- **Movement to Unsubsidized Employment** - After four months in a subsidized position, the employee can devote one day per week to job seeking activities. If, after six months of subsidized employment, the employee has not been hired into a regular position, the placement is terminated and their employment development plan is reassessed to determine what steps are necessary to reach permanent full employment.

- **Asset Allowance** - The household asset limit is $10,000. $9,000 of equity in a vehicle is exempted.

- **Child Support Payments** - The state passes on to families all child support payments collected on their behalf, not just the first $50 per month required under current federal law.

- **Negative Sanctions** - The first non-compliance without good cause in JOBS Plus activities results in a $50 AFDC payment reduction for two months; continued non-compliance results in removal of a non-complying member from the grant for two additional months followed by termination of the entire grant.

Implementation: JOBS Plus demonstration program was implemented in six counties in November 1994. In March 1996, Oregon Option was approved by HHS replacing JOBS Plus with a statewide program.

Outcomes to Date: (as reported by the Oregon Adult and Family Services Division)

- In the six JOBS Plus pilot counties, 2,641 regular JOBS clients moved to unsubsidized employment as compared to 1,389 JOBS Plus clients over the first 15 months of the new program. Of the JOBS Plus clients, 102 or 8% moved to regular employment from work-site training as compared to 68 or 3% of regular JOBS clients.

Additional Factors to be Considered:

- Oregon JOBS Plus limits AFDC recipients, both children and adults, to 24 months of benefits in any seven year period unless the parent is enrolled in a community work and training program. As written, this provision will not apply to any recipient who complies with the program requirements.

Major Provision:

- **Treatment of Earnings** - The first $150 of a recipient's earned income is disregarded, along with 25% of subsequent earnings from unsubsidized employment, when determining the amount of the Aid Needy Families with Children (ANFC) grant.

- **Subsidized Employment** - After 30 months of receiving ANFC, a single parent with a child under 13 is required to work 20 hours per week or 40 hours per week if the youngest minor children is 13 or older. Subsidized employment in a public or non-profit organization is required if unsubsidized employment has not been found. If the breadwinner in a two parent ANFC family has not found unsubsidized employment after receiving aid for 15 months, the parent is required to work full time in a public or non-profit job where wages are subsidized. Workers in subsidized jobs have all or part of the ANFC benefits diverted into their paychecks with a $90/month disregard of earnings. They are paid the state minimum wage of $4.75/hour and are eligible for state and federal Earned Income Tax Credits (EITC).

- **Extended Child Care and Medicaid Benefits** - Transitional Medicaid benefits are available for up to 36 months after termination of a family's ANFC grant due to earnings if income eligible. State funded child care subsidies are provided for 12 months or longer on a sliding fee scale as long as the family's income qualifies and state funds are sufficient.

- **Asset Allowance** - One vehicle is excluded as are savings accumulated from a parent's or child's earnings when determining a family's resources for ANFC and Food Stamp eligibility.

- **Child Support Payments** - The state passes on to families all child support payments collected on their behalf, not just the first $50 per month required under current federal law. A pilot project provides non-custodial parents with job search guidance and training to improve their employability.

- **Individualized Family Development Plans** - Plans are established by the participants and their case manager for minor parents, unemployed two parent families, and ANFC recipients within two months of their time limit. The plan addresses education, training, and employment activities and necessary child care, transportation, and other expenditures. No parent is expected to accept employment if the necessary support services are not available. Cash bonuses are given for completion of parenting education programs or other activities related to improving parenting skills.

- **Conversion to Vendor Payments** - ANFC benefits are paid directly to vendors for basic living expenses if parents do not comply with the work requirement and are not exempt. In addition, sanctioned parents are required to attend three monthly meetings to discuss their vendor payments; to complete an assessment and revised family development plan, if appropriate; and to encourage the parent to comply with the applicable requirements.

Implementation: In July 1994, statewide implementation commenced with 60% of the ANFC caseload subject to all the changes; 20% subject to all the changes except the work requirement; and the remaining 20% serving as a control group receiving regular ANFC.

Outcomes to Date (as reported by the Vermont Department of Social Welfare; Manpower Demonstration Research Corporation's first formal evaluation report is due December 1997):

- Between June 1994 and March 1996, the number of employed ANFC parents increased by 23% and their average monthly earnings increased by 30%.

- The average payment per family receiving ANFC benefits decreased by 9% in the two year period from November 1993 to November 1995, mostly attributable to increased earnings.

- To date, there have not been any unforeseen impacts of the Welfare Restructuring Project on state and federal revenues and expenditures. The five-year expansion plan projects a 50% increase in costs for support services with a return on this investment of $3.3 million based on anticipated increased parent earnings and resulting benefit savings.

Additional Factors to be Considered:

- Vermont is able to bring families nearer the poverty level through a combination of ANFC payments and earnings from employment, with a smaller disregard of earnings than some states because of its higher benefit levels. For example, Vermont's maximum ANFC benefit for a single parent family of three is $597 per month.

- Vermont's Welfare Restructuring Project is billed as time-limited welfare but the time limits trigger work requirements and as long as the requirement is met, ANFC eligibility can continue indefinitely. Time-limits do not trigger termination of ANFC.

OVERCOMING OBSTACLES TO ASSET DEVELOPMENT

The Utah Example

The Premise

For some parents, the goal of self-sufficiency can best be achieved through a limited financial intervention; while for other parents self-sufficiency is an elusive goal that may never be fully obtained.

The Rationale

Some states have determined that routine cash assistance and Job Opportunity and Basic Skills (JOBS) programs, even with more flexible provisions, do not bring about the desired benefits for all families. These states are incorporating additional options into their welfare programs. Waivers have been sought from the federal Department of Health and Human Services to allow states such options as one-time lump-sum payments of diverted grant dollars in lieu of ongoing AFDC benefits. A lump-sum payment to meet immediate needs can aid a family in transcending a period of economic misfortune, if there is an employment prospect or other sources of future income. To the extent that recipients are able to use the larger lump-sum amounts in enterprising ways, this provision helps achieve economic security and the potential for future accumulation of assets.

For some families the need for cash assistance is not a matter of temporary financial crisis; nor is it solely a lack of training or job seeking skills which hinders self-sufficiency. Rather, other physical or personal obstacles create barriers to obtaining and sustaining employment. For these families standard JOBS programs and incentives which make work pay better than cash assistance will not, by themselves, move a family to full employment and greater economic security. In a few states, recipients develop individual self-sufficiency plans which encompass not only job seeking activities but also address non-job skill related obstacles to employment. The plan may address such diverse areas as substance abuse treatment, family counseling, transportation problems, and emergency funds for housing. Sanctions resulting in benefit reduction or time-limited termination are not imposed until these obstacles have been overcome or redressed. Program provisions allow for the fact that some parents, due to personal disabilities or other unalterable circumstances, will always need some support.

Utah Single Parent Employment Program (SPEP)

Major Provisions:

- **Diversion of Benefits** - The potential applicant who appears eligible for financial assistance, yet does not desire longer term assistance and is job ready, may be diverted from ongoing financial assistance through a payment of up to three times the amount of the monthly AFDC grant amount for the household size. The diversion payment is exempted when determining Food Stamp eligibility. Recipients who opt for diversion receive regular Medicaid and child care assistance during the three months covered by the diversion payment and afterward may be eligible for transitional medicaid and child care. If the family reapplies for assistance during the three months, the diversion payment is prorated over the three months and subtracted from any cash assistance for which they may be eligible.

- **Self-Sufficiency Plans and Activities** - Every AFDC parent regardless of age or the age of their children, is expected to develop a self-sufficiency plan incorporating the activities and resources necessary to move toward self-sufficiency. The plans are individualized to address education, job seeking activity, mental health counseling, other treatment needs, or other obstacles to employment. Supportive services continue to be available to the family for two years after their cash assistance has ended. Participants in full time self-sufficiency activities receive an extra $40 per month and an additional $100 deduction from their gross income in determining Food Stamp benefit levels.

- **Asset Allowance** - Up to $8,000 equity value in a vehicle is excluded for the asset test for both cash assistance and Food Stamps. The latter continues for 24 months after the family is no longer eligible for cash assistance.

- **Treatment of Earnings** - The first $100, plus 50% of the remainder of earned income, is disregarded when determining the AFDC grant amount. For determining Food Stamp eligibility, $100 of earned income is disregarded in addition to the present 20% disregard. All income for education, earned or unearned, is exempted from eligibility and benefit determination for Food Stamps.

- **Extended Child Care and Medicaid Benefits** - Transitional Medicaid is available for 24 months and transitional child care is available indefinitely on a sliding fee basis for diversion or SPEP families whose AFDC benefits have ended due to earned income over the eligibility level.

- **Child Support Payment** - Families participating in diversion will receive any child support collected on the children's behalf. $50 of child support is excluded from income in determining Food Stamp benefits.

- **Grant Reduction** - If a parent chooses not to participate or comply with the Self-Sufficiency Plan, the grant is reduced by $100 per month. If the family is "sanctioned" for two consecutive months, it can be terminated from all financial assistance. This reduction is imposed if the conciliation process including home visits and a case conference with the participant and a specialized worker does not result in a mutually agreed upon new plan addressing identified barriers.

Implementation: The program was implemented early 1993 in three areas including part of Salt Lake County as a demonstration. It was expanded to include 50% of the state's AFDC caseload as of January 1996 and became statewide in July 1996.

Outcomes: (findings of the Social Research Institute at the University of Utah, January 1996)

- In the demonstration areas, 12% of applicants eligible for financial assistance were diverted from ongoing AFDC assistance at the time of application. Of the 757 families which received one-time lump-sum payments and support services as of January 1996, only 10% are now receiving regular AFDC payments.

- 95% of the families receiving financial assistance through the demonstration developed individualized Self Sufficiency Plans and participated in activities ranging from family counseling to full-time education.

- In the demonstration areas, the total average income including Food Stamps for families receiving financial assistance with no earned income was $677 per month. The average for those families with earned income supplemented by financial assistance was $907 per month and for families leaving financial assistance but still receiving Food Stamps the average total monthly income was $1,068.

- After 24 months of SPEP participation, only 14% of the recipients in the Kearns office (Salt Lake County) continued to receive AFDC and not have earned income. 25% are only receiving Medicaid and/or Food Stamps

Additional Factors to be Considered:

- In the first year of the demonstration, costs exceeded grant savings because twice as many recipients were receiving case management and employment services and child care cost were 50% higher. In the third year these costs were more than offset by grant savings.

- SPEP gives participants the option of "cashing-out" their Food Stamps. At the time of application about 50% choose this option with about 20% of these returning to Food Stamps after participating in SPEP for a period of time. (Opting to go back into the program is not possible in many states with Food Stamp cash-out.)

- New legislation which went into effect in July 1996, imposes a 36 month lifetime time-limit for AFDC parents (excluding months in which there has been at least 80 hours of earned income.) Up to 15% of the caseload can be exempted from the time-limit (more if unemployment goes above 6%). It is not known if the allowed exemption is sufficient to accommodate those families who have not obtained full employment for reasons other than job readiness and job availability. The legislation also places a lifetime limit of 24 months on education and training beyond obtaining a high school diploma or equivalency.